

1. Purpose of meeting

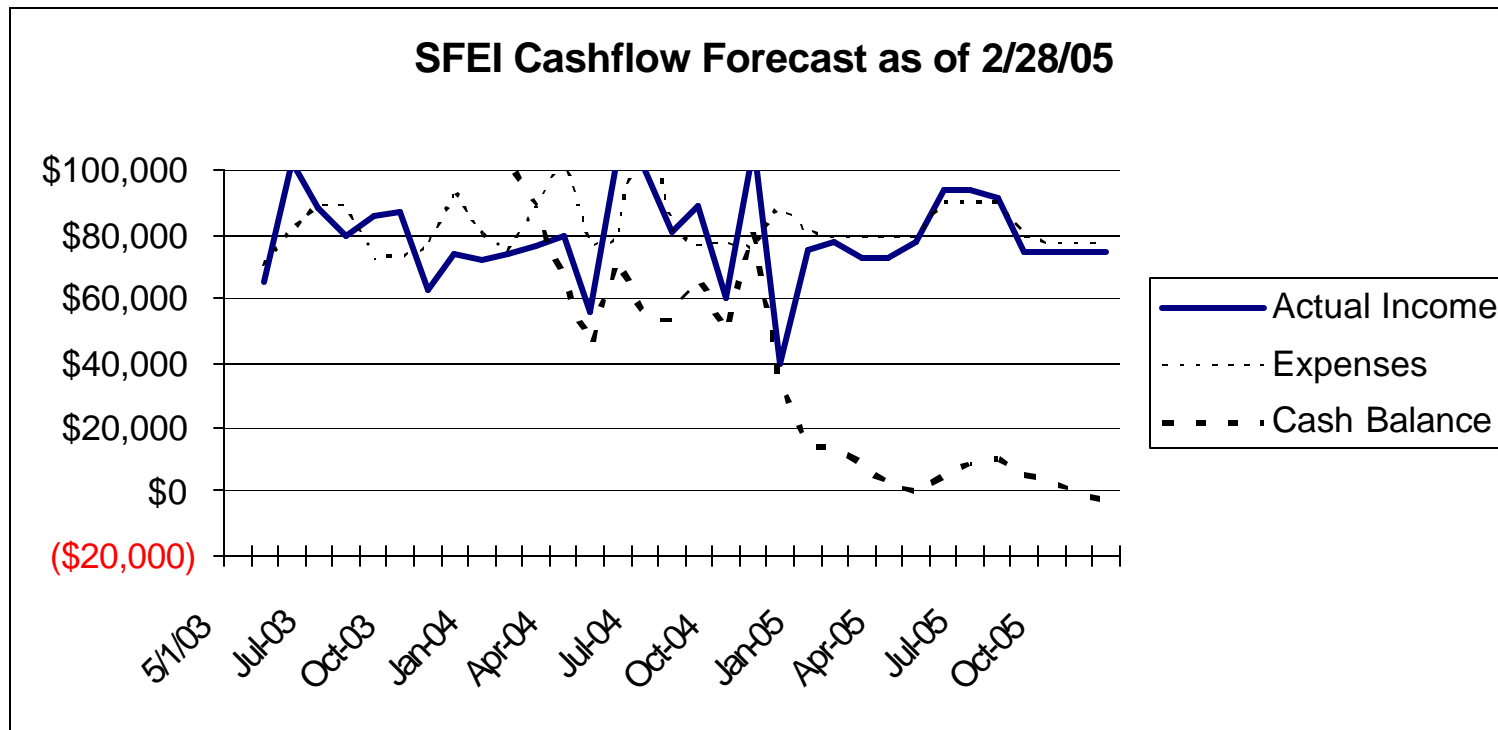
- Describe scope of SFEI budget shortfall
- Explain how we got here and what steps we are taking to plan for the future
- Collect member input on near- and long-term options

2. Scope of SFEI budget shortfall

- Over the past 2 years, SFEI has operated at an average monthly loss of approximately \$2600.
- Because of our Cash Assets and the income generated by Summer Camp, the shortfall was not evident until recently.
- The largest increases to our budget in recent years have been
 - the purchase of 2 buses
 - medical insurance
 - auto liability insurance
 - teachers salaries
- Tuition increases in March 2002 and Sept 2004 did not equal these expenditures.
- In addition, in 2004 we decreased the Kindergarten class by 4 (to 16 kids) – therefore, monthly income went down \$2000.
- As of Feb 1, 2005 -- with no spending or income changes, SFEI budget forecast showed us in the red in April '05
- Current status:
 - Some families are voluntarily paying tuition in advance to help address near term shortfall.
 - Security deposit for entering families has been raised to \$250 (this also helps increase incentive for families to give proper 2 week notice rather than forfeiting the cheaper \$100 deposit).
 - Kindergarten will increase by at least 2 children, probably in June, definitely in August
 - Building Loan final payment is Sept 2005
 - This plus Summer Camp income will keep us in the black through Oct '05 (see Table A/Figure A)

Table A. Cashflow Forecast as of 2/28/05

SFEI Cash Balance	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
		Tuition advance			Incr Sec Dep	+2 Kinder		Pay out Sec Dep	Last Loan paymt			
Income	75,204	78,300	73,300	73,300	77,800	93,800	93,800	91,300	74,300	74,300	74,300	74,300
Expenses	(76,467)	(75,200)	(75,200)	(75,200)	(75,200)	(86,000)	(86,000)	(86,000)	(75,200)	(75,200)	(75,200)	(75,200)
Bus Loan 1	(830)	(830)	(830)	(830)	(830)	(830)	(830)	(830)	(830)	(830)	(830)	(830)
Bus Loan 2	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)
Exchange Loan	(2,045)	(2,045)	(2,045)	(2,045)	(2,045)	(2,045)	(2,045)	(2,045)	(2,045)	0	0	0
EOM Cash Balance (Merrill/Sterling)	14,151	13,404	7,657	1,910	663	4,616	8,569	10,022	5,275	2,573	(129)	(2,831)
loss/month	(5,110)	(747)	(5,747)	(5,747)	(1,247)	3,953	3,953	1,453	(4,747)	(2,702)	(2,702)	(2,702)

**Figure A**

Note:
Expenses do
not include
Depreciation
Expense April
2004

3. How did we get here?

Highlights of annual income/expenses that had the most impact:

FY 2001 (May '01 – Apr '02)

May '01	Cash Assets = \$53,100			
March '02	Kitchen \$22K over bgt (Sysco)	\$4440/mo	(\$53,300)	
	Tuition increase	\$10/wk		\$59,700

FY 2002 (May '02 – Apr '03)

May '02	Cash Assets = \$38,900			
	Med insurance incr of 56%	\$403/mo	(\$106,400)	
	Kitchen costs decrease (Sam's)	\$3700/mo		\$44,400
Aug '02	Summer Camp profit			\$24,000

FY 2003 (May '03 – Apr '04)

May '03	Cash Assets = \$94,000			
May '03	Bus 1 down payment		(\$18,000)	
	\$830/mo		(\$9,960)	
	Insurance - \$1M		(\$3,610)	
	Med incr of 4%	\$419/mo	(\$110,600)	
Aug '03	Summer Camp profit			\$39,000
Nov '03	Auto ins. increase - \$5M	\$10,620/yr	(\$7,010)	

FY 2004 (May '04 – Apr '05)

May '04	Cash Assets = \$57,500			
	Bus 2 down payment		(\$13,000)	
	\$970/mo		(\$11,640)	
	Med incr 10%	\$461/mo	(\$121,700)	
Aug '04	Summer Camp profit			\$40,000
Sept '04	Tuition increase	\$2/wk		\$12,100
	Salary increase		(\$28,880)	
	Kindergarten decr.	\$2000/mo	(\$24,000)	

4. Why didn't we see it coming?

Financial software (Quickbooks) was not set up originally to generate reports that fully show all income and expenses

- For example, Bus and Building loans (ttl \$3845/mo) are entered as Long Term Liabilities that show up on the "Balance Sheet," but not as Expenses on the "Profit and Loss Statement" or "Budget vs. Actual Report."
- As a result, "Net Income" is misleading – doesn't show the true status of our shortfall or income in a given month (Viewer has to subtract an additional \$3845 each month).

Quickbooks is not set up to generate a Cashflow Forecast

"Annual Budget" development did not uncover all costs for FY '04

- Template has an error in formula for Personnel costs – Summer Camp personnel expenses were not included (\$22,780).
- It is difficult to use Quickbooks to prepare the Budget so data must be entered manually – higher chance of errors.
- Some Bus costs (\$5000) and general maintenance (interior painting \$7500) were underestimated.

5. What changes are needed so we can better anticipate future financial needs?

- √ Develop Cashflow Forecast spreadsheet
- √ Adjust Quickbooks accounts so that 3 loans are recorded as expenses, as well as liabilities.
 - New or updated financial management software / training for Treasurer & Staff
 - Create Treasurer's handbook
 - Recruit members for Budget Committee
 - At least one Accountant
 - Improve budget process
 - Decrease SFEI reliance on Summer Camp profit (50% in 2005; 0% in 2006)
 - Build 5-10% cash reserve to provide positive cash flow for atypical monthly expenses
 - Hire CPA to review budget each year
 - Investigate other models of financial management for non-profits (Treasurer's role vs. staff role)

6. Options/Pros and Cons

All options adopted by SFEI will be evaluated during annual budget development to assess if any near-term measures can be rescinded in the future.

- Increase Tuition \$5/week per child
- Increase Tuition \$10/week per child
 - Pro - Implementation is quick and cost recovery (financial impact) is definable with minimal variables (i.e. number of children in center +/- replacement time for withdrawals) all data available
 - Pro - Can be implemented within 30 days
 - Pro - No significant tuition increase in the past 12 months
 - Con - Increased financial burden on enrolled parents, may have to look at individual circumstances.
 - Con - Future facility / employee cost increases need to be evaluated so not to turn right around with another tuition increase within 6 months
- Increase annual Membership Fee (proposed increase from \$20 to \$100)
 - Pro - Offsets financial burden to entire membership
 - Con - Difficult to predict actual fiscal gain due to potential significant reduction in membership due to + 5 fold cost increase of dues
 - Con – Waiting List members will not be willing to pay \$100. If it is only raised for members in the center, then there would be two “classes” of members, with impact to voting rights, etc. Requires assessment of the by-laws to determine feasibility.
- Increased Security Deposit for current Members enrolling 2nd child (from \$100 to proposed \$250)
 - Pro – Implementation begins in near-term
 - Con - Increased financial burden on enrolled parents, may have to look at individual circumstances.
 - Con - Offsets financial burden to portion of membership
 - Con - Difficult to predict actual fiscal gain
- Special Fundraiser
 - Pro – Implementation is quick
 - Con - Difficult to predict actual fiscal gain

- Elimination or cut back of services such as Parent Watch
 - Pro - If contract allows month to month subscription, easily implemented with well defined financial savings
 - Con - Some parent objection could arise if a significant number actually use the system
 - Con – May not be a near term option depending on contract terms
- Elimination or cut back of Enrichment Programs
 - Pro – Implementation is quick and financial impact is definable
 - Con - Parent objection to elimination of programs they consider important to their child's development
 - Con – Undetermined Accreditation impact
- Increase Kindergarten to 20 children
 - Pro – Provides steady income source
 - Pro – Allows SFEI to operate closer to full capacity as designed and as required in NASA MOU
 - Con – Possible parent objections to increased Teacher-Student ratio and fuller classrooms
- Postpone Building Loan payments
 - Pro – Implementation is quick and financial impact is definable
 - Con – Has very negative impact on our financial standing with the JSC Exchange Council
- Charge one time non-refundable Enrollment Fee (proposed \$50)
 - Pro – Implementation begins in near-term
 - Con - Increased financial burden on enrolled parents, may have to look at individual circumstances.
- Parents donate afternoon snacks (other meals must be provided by school)
 - Pro - Should be easy to calculate financial saving
 - Con - Could impact Daycare FDA approval and subsidies actually causing an increased cost burden to the daycare since the "kitchen" has an FDA subsidy and does most school kitchens.

- Increase Summer Camp registration fee and tuition
 - Pro - Does not impact the current membership as directly as a tuition increase.
 - Con - Full financial benefit difficult to exactly predict due to the tuition increase effects on enrollment rate.
 - Con - Due to recent reassessment of NASA subsidy reduction, Summer Camp may need a tuition increase to acquire furniture and fixture type supplies (TV's, Computers, etc) that were previously supplied by NASA.

- Increased field trip fees to cover increased costs (such as gas for the bus, fees for teachers, drivers, etc...)
 - Pro - Does not appear as a parent cost increase when quoting monthly room rates
 - Pro - Could assist in offsetting financial burden by realigning fieldtrip cost to fully cover financial burden.
 - Con - Financial gain difficult to predict and would not offset current financial shortfall, additional cost cutting required